

Message Text

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ACTION EB-08

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E.O. 11652:N/A
TAGS: EAIR YO
SUBJECT: JAT INTEREST IN INCREASED TRAFFIC RIGHTS TO US

1. DRAGOSLAV RADISAVLJEVIC, DIRECTOR GENERAL JUGOSLAVENSKI
AEROTRANSPORT (JAT), APPROACHED AMBASSADOR SEPT 22 AND
AGAIN DURING MEETING SEPT 26 ON QUESTION OF EXPANDED
AIR SERVICE BETWEEN YUGOSLAVIA AND THE US FOLLOWING
SUSPENSION OF REGULAR PAN AMERICAN FLIGHTS. YUGOSLAVS
ARE INTERESTED BOTH IN INCREASING FREQUENCIES
TO NEW YORK AND ACQUIRING LANDING RIGHTS IN CHICAGO.

2. JAT FEELS THERE IS AMPLE JUSTIFICATION FOR EXPANDED
SERVICE TO US MARKETS, CITING:

A. PASSENGER CAPACITIES EVEN WHILE PAN AMERICAN WAS
OPERATING TO BELGRADE WERE SRIOUSLY INADEQUATE, PARTICULARLY
IN PEAK SEASON;

B. RESPONSS TO AIRLINE BUDGET FARES, INTRODUCED THIS YEAR,
WILLCONTINUE TO STIMULATE TOURIST TRAFFIC IN BOTH
DIRECTIONS.

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C. GROWTH IN BILATERAL TRADE CONTACTS BEYOND
EASTERN SEABOARD MAKE MID-AMERICAN GATEWAY MORE ATTRACTIVE;

D. JAT SEES SPECIFIC TRAFFIC ADVANTAGE IN SERVING
MID-WESTERN ETHNIC MARKET THROUGH DIRECT SERVICE TO
CHICAGO.

3. RADISAVLJEVIC POINTED TO INCONGRUITY OF PRESENT SITUATION WHERE US-YUGOSLAV TRAFFIC IS OFTEN BETTWE SERVED BY THIRD-COUNTRY AIRLINES, WHICH EMJOY RIGHTS ON BELGRADE-NEW YORK ROUTE AND--AS A GROUP--OFFER HIGHER FREQUENCIES THAN JAT.

4. JAT'S PROPOSED TRAFFIC PLANS FOR 1979 INCLUDE INCREASE TO FOUR FLIGHTS A WEEK BETWEEN BELGRADE AND NEW YORK UNDER TERMS OF PRESENT AGREEMENT AND INTRO- DUCION OF TWICE-A-WEEK SERVICE TO CHICAGO (ASSMING RIGHTS CULD BE OBTAINED FROM USG). ALL FLIGHTS WOULD MAKE STOPS IN ZAGREB OR LJUBLJANA; CHICAGO TRAFFIC MIGHT INCLUDE STOPOVER IN MONTREAL AS WELL. FOR 1980, JAT HOPES TO INTRODUCE DAILY SERVICE TO US.

5. RADISAVLJEVIC IS AWARE THAT GOY MUST AWAIT SCHEDULED CONTULTATIONS AT TERMINATION OF CURENT THREE-YEAR BILATERAL AIR AGREEMENT BEFORE FORMAL REVIEW OF NEW GATEWAY AND TRAFFIC RIGHTS (MARCH, 1981), BUT IN MEANTIME HOPED US WOULD BE RECEPTIVE TO TEMPORARY AMENDMENT TO AGREEMENT OR SOME KIND OF INTERIM ARRANGEMENT. PRIOR TO SUBMITTING FORMAL PROPOSAL FOR NEGOTIATING SERVICE TO CHICAGO ON SUCH TEMPORARY BASIS, JAT WOULD APPRECIATE OUR TENTATIVE REACTIONS TO EXPANDED SERVICE.

6. RADISAVLJEVIC ALSO BROUGHT UP SUBJECTS OF CRDITS LIMITED OFFICIAL USE

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FOR DC-10S IN LIGHT OF EXIM'S NEW AUTHORITY TO PARTICIPATE IN WIDE-BODIED AIRCRAFT FINANCING. DETAILS REPORTED SEPTEL.

7. COMMENT: JA INITIATIVE ON EXPANDED SRVICE TO THE US IS NOT UNEXPECTED. PROPOSALS REPEAT ORIGINAL DEMANDS OF YUGOSLAV TEAM DURING 1977 BILATERAL NEGOTIATIONS EXCEPT THAT REQUEST FOR LOS ANGELES LANDING RIGHTS NOT RAISED THIS TIME. JAT'S PROJECTED CHICAGO SERVICE PROBABLY PRESUMES CANADIANS WILL GRANT LANDING RIGHTS IN MONTREAL. JAT CURRENTLY DOES NOT HAVE SCHEDULED SERVICE TO CANADA, BUT HAS CONCLUDED AIR TRANSPORT AGREEMENT WIT THAT CUTRY. ACCORDING TO CANADIAN EMBASSY, YUGOSLAVS WANTED LANDING RIGHTS IN TORONTO BUT WERE TURNED DOWN. CANADIANS OFFERED MONTREAL BUT UNTIL NOW YUGOSLAVS HAVE NOT EXPRESSED ANY INTEREST IN ACTIVATING REGULAR SRVICE TO CANADA. ALTHOUGH JAT OFFICIALS REPEATEDLY ALLUDE TO INCONSISTENCIES IN US AVIATION POLICY, I.S., PROMOTING AIRLINE ROUTE AND TARIFF COMPETITION WHILE TURNING DOWN JAT REQUESTS FOR HIGHER FREQUENCIES, WE HAVE IMPRESSION YUGOSLAVS NOT SO ENTHUSIASTIC ABOUT FREE MARKET FOR INTERNATIONAL AIRLINES TAPPING THEIR MRKET.

RADISAVLJEVIC WOULD APPRENTLY PREFER RESTRICTING
YUGOSLAV-US ROUTES TO JAT AND AMERICAN CARRIERS.
MOREOVER, JUDGING FROM PAN AMERICAN'S EXPERIENCE
NEGOTIATING BUDGET FARES, JAT WILL RESIST COMPETITIVE
TARIFF REDUCTIONS. JAT'S WILLING NESS TO COOPERATE
ON COMMRCIAL AND EQUAL BASIS WILL BE PUT TO THE TEST
IN DICSUSSIONS WITH PAN AMERICAN OVER INTERLINE FARES,
WHICH RADISAVLJEVIC SAID WILL TAKE PLACE IN NEW YORK
SEPTEMBER 28.
EAGLEBURGER

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